

# Financial *Status Report*

May 31, 2018

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through May 31, 2018. It compares revenues and expenditures for the first eleven months of Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

## San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

April 2018



Local Stock Prices



Index of Leading Economic Indicators

Local Consumer Confidence



Building Permits

Help Wanted Advertising



Unemployment Insurance

National Economy

## University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County fell 0.2 percent in April. The move to the downside was led by a sharp drop in residential units authorized by building permits. Also, down were online help wanted advertising and local stock prices. The other three components were positive, with the outlook for the national economy up moderately and initial claims for unemployment insurance and consumer confidence up slightly. But these were not enough to prevent the USD Index from suffering its first loss in 18 months.

Economists usually look for three consecutive changes in a leading indicators index to signal an upcoming turning point. So, it remains to be seen as to whether April's decrease is an aberration or a sign of things to come. For now, the outlook continues to be for a strong local economy through the end of this year and at least into the beginning of 2019. One thing that could negatively affect the local economy is the rising cost of gasoline. Heading into the Memorial Day weekend, gas prices were about 70 cents a gallon higher than they were a year ago. My estimate is that a one cent increase in gas prices translates into a \$1 million a month additional spending on gas, which means that San Diegans are spending an extra \$70 million on gas compared a year ago. While that is not large compared to the local economy as a whole, that is money that could have been spent in the local economy on things like restaurants, retail, attractions, etc.

The decline in residential units authorized by building permits which started in March, accelerated in April. The number of residential units authorized in April was actually up compared to March, even after the seasonal adjustment. But the USD Index uses a moving average to smooth out the month-to-month fluctuations of the individual components. This gives a better indication of the trend in the components, particularly for a component such as building permits, which can fluctuate dramatically from month to month. The labor market variables were mixed during the month. Initial claims for unemployment insurance were positive for the seventh month in a row, but help wanted advertising fell for the first time in seven months. The net result was that the seasonally adjusted unemployment rate for San Diego County was 3.1 percent in April, which was down from 3.2 percent in March and from 4.1 percent in April 2017. The actual unemployment rate fell below three percent to 2.9 percent, but April is usually the third best month of the year for the unemployment rate (behind December and May). Local stock prices remain volatile, like the broader market averages, and have now dropped in two of the last three months. The one consistent component remains consumer confidence, which has now increased for 22 straight months. The national Index of Leading Economic Indicators moved in the opposite direction of the local index and pushed its positive or unchanged streak to 20 consecutive months. The national labor market remains strong, with the unemployment rate dropping below the four percent mark that economists view as full employment. Growth is still lagging though, with the second estimate of first quarter GDP growth at 2.2 percent. This was down from the "advance" estimate for the first quarter of 2.3 percent and the 2.9 percent rate in the fourth quarter of 2017.<sup>1</sup>

## General Fund Revenues



**Property Taxes (\$63.7 million)** – Property taxes reflect a five percent increase over Fiscal Year 2016-17. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.36 percent for Fiscal Year 2017-18. This is the fifth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued improvement in the housing market and new construction. The increase in this

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<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down in April*, May 31, 2018.

year's assessed values was due to a large increase in the assessed values of industrial properties in the city; the city saw smaller increases in residential and commercial property values for the year. This is the third year in a row since, the Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reasons that property taxes for the first eleven months of the fiscal year have increased by five percent as compared to the prior fiscal year are:

- Current taxes are up by \$3 million or 5.4 percent due to an increase in assessed values.
- Aircraft taxes are down by \$284,000 due to a decrease in the number of aircraft being housed at the airport.
- Supplemental taxes are up by \$125,000 due to an increase in property resales.
- Payments for previous years' taxes are up by \$61,000 due to an increase in the collection of past due tax bills.
- Unitary taxes are up by \$52,000 due to an increase in assessed values.
- Property taxes received from the former redevelopment area (both the Village and South Coastal Carlsbad areas) are up by \$92,000 due to an increase in assessed values in the two project areas.



**Sales Taxes (\$32.7 million)** – For the first eleven months of the fiscal year, sales tax revenues are \$1.7 million (or six percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second, third and fourth calendar quarters of 2017 (up 5.0 percent, 3.4 percent and 2.8 percent respectively) as well as the first calendar quarter of 2018 sales tax revenues (down 13.2 percent). In May 2018, the California Department of Tax and Fee Administration (CDTFA) changed their

timing of making payments to the city. At the same time, they transitioned to a new reporting and payment system. On the last day of the reporting month, the system went down, preventing businesses from reporting and remitting their sales tax payments. The CDTFA has stated that they will be reflecting these additional timing delayed payments with our June payment.

For sales occurring in the fourth calendar quarter of 2017 (the most recent data available), key gains were seen in restaurants, apparel stores, furniture/appliance, heavy industry, and department stores. During the same period, key declines were seen in leasing, miscellaneous retail, miscellaneous other, and office equipment. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 68 percent of the city's sales tax revenues.



**Transient Occupancy Tax (\$21.8 million)** – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$22.2 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first eleven months of the fiscal year reflect an increase of \$1.4 million, seven percent more than the previous year. Higher

room rates and occupancy accounted for this positive variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of April 2018.

Currently, there are 4,381 hotel rooms, 668 timeshares and 217 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 73 percent, two percentage points higher than last year's average at this time.



**Franchise Taxes (\$5.8 million)** – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are \$274,000 higher than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down significantly by \$131,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$101,000 is due to more commercial and residential accounts coming online from new development activity within the city. Additionally, revenue for the fiber optic antennae system is down \$13,000 due to a re-negotiation of the lease resulting in a delay of the monthly payments.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E pays an “in-lieu” franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of “in-lieu” taxes collected is from Cabrillo Power, the operator of the Encina Plant. The “in-lieu” tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E are up in total by \$317,000 or 13 percent compared to last year. Net electricity sales were up by five percent, while net gas sales were up by 10 percent. The “in-lieu” taxes increased by 54 percent; a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E.



**Development Related Revenues (\$4.8 million)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a slight decrease for the first eleven months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in May included development at Uptown Bressi (a mixed-use project), Oceanview Estates, an industrial building in Carlsbad Oaks North, a parking lot at the Four Seasons Residence Club, the Poinsettia 61 residential project, the Beachwalk at Roosevelt project, and the Carlsbad Oceanview Estates.

One source of development related revenue is building permits, which are down 20 percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction, a decrease in residential permitting activity, and an increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$368.7 million, while it was \$427.1 million in the previous fiscal year, a 13.7 percent decrease. In May, Carlsbad issued building permits for one residential dwelling unit, a decrease from the 11 dwelling units permitted in April. In the southwest quadrant, a building permit was issued for one second-dwelling unit. For the current fiscal year, 324 residential permits have been issued, as compared to 945 permits issued during the same period last year.

During the month of May, no permits for commercial and industrial space were issued. Year-to-date, there has been 1,549,227 square feet of commercial/industrial permits issued, as compared to 1,067,175 square feet of commercial/industrial permits issued during the same period last year.



**Business License Tax (\$4.8 million)** – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.1 million for the current fiscal year. Business license revenues are up \$857,000, or 22 percent, higher than the previous fiscal year. This is primarily due to a significant number of delinquent payments being made as well as timing differences as compared to the same period last year.

There are currently 9,908 licensed businesses operating within the city, 901 less than the prior year. The majority of taxed businesses (6,693 businesses) are located in Carlsbad, with 2,450 of these businesses home-based.



**Income from Investments and Property (\$4.4 million)** – For the first eleven months of the fiscal year, income from investments and property is up \$699,000 compared to the previous fiscal year.

Interest income is up \$534,000 for the year due to the combination of a 4.1 percent decrease in the average daily cash balance combined with a 25.6 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.235 percent last fiscal year to 1.551 percent in the current fiscal year).

Income from property sales and rentals is up by \$165,000 for the year, primarily due an increase in facility and pool lane rentals, and the sale of city property at public auctions, partially offset by a decrease in park rental fees.



**Interdepartmental Charges (\$2.9 million)** – Interdepartmental charges are \$90,000, or three percent, lower than last year. These charges are generated through engineering services charged to capital projects (down 5.7 percent, or \$59,000, due to staffing vacancies earlier in the fiscal year); reimbursed work from other funds (up \$24,000 due to timing differences); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for

services performed by departments within the General Fund (down 2.9 percent, or \$55,000), the result of an updated cost allocation plan.



**Recreation Fees (\$2.6 million)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by four percent compared to last fiscal year at this time. As the year progresses, staff will continue to evaluate revenue trends and program life cycles to help monitor and improve program performance.



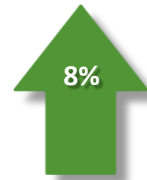
**Ambulance Fees (\$2.2 million)** – The city bills any individual who is transported in one of the city's ambulances. Through May 2018, receipts from ambulance fees are up \$23,000, or one percent, compared to last fiscal year. Fees collected should have been higher due to the large increase in the number of billable transported patients; however, there were less write-offs for uncollectable ambulance fees in the prior fiscal year. The number of billable transported

patients for the first eleven months of Fiscal Year 2017-18 (4,900) versus Fiscal Year 2016-17 (4,434) has increased by 10.5 percent.





**Other Charges or Fees (\$1.3 million)** – Other charges or fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the first eleven months of the fiscal year, revenues are up by \$132,000 compared to last fiscal year at this point in time. This increase is due to higher mutual aid response reimbursements and administrative fees received from a new fiber optic franchise agreement. This increase was partially offset by lower fire inspection and strong motion program fees.



**Transfer Taxes (\$1.2 million)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased modestly, due to strong housing and industrial/commercial development throughout the city.



**Other Revenue Sources (\$1.1 million)** – Other revenue sources have increased by \$35,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The increase to date represents a decrease in prior year fee refunds and an increase in contributions for special studies. These increases were partially offset by a decrease in administrative cost reimbursements received for managing developer contributions from developers.



**Other Licenses and Permits (\$902,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. The decrease in revenues for the year is due to a reclassification of revenues that occurred during the implementation of the new permitting system (in November 2016). Some permitting activity that was previously reflected as other licenses and permits is now shown as building permits. Without this reclassification, other licenses and permits would have shown a smaller decrease for the year, while building permit revenues would have shown a larger decrease for the year.



**Other Intergovernmental Revenues (\$769,000)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$769,000 received this year are the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project), Police Officer Standard Training (POST) reimbursements, state mandated cost reimbursements, a library adult learning grant, Department of Justice vice/narcotics overtime reimbursements, a state library grant to help maximize internet benefits for patrons, a San Diego Law Enforcement Foundation grant, a federal fire training grant, a grant from SDG&E to purchase heavy weather coats for the CERT program, reimbursement for a coastal warrior exercise, school resource officer reimbursements, a refund from the North County Dispatch for unspent replacement funds, and senior nutrition grants. The increase to date is a result of additional solar rebates received from the Center for Sustainable Energy as compared to the prior fiscal year as well as a timing difference in the reimbursements received for the city's school resource officer program.



**Fines and Forfeitures (\$631,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due to a large drop in revenues derived from moving violations plus a smaller decrease in revenues received from miscellaneous city fines. These decreases were partially offset by additional code enforcement violation billings.



**Homeowners' Exemptions (\$344,000)** – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.



**Vehicle License Fees (\$60,000)** – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

## Expenditures

Total General Fund expenditures and encumbrances through the month of May 2018 are \$135.5 million, compared to \$148.7 million at the same time last year. This leaves \$45 million, or 24.9 percent, available through the fiscal year ending June 30, 2018. If funds were spent in the same proportion as the previous year, the General Fund would have 22.6 percent available. This difference is attributable to some very large transfers out of the General Fund that were done at this time last year. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at May 31, 2018 is 19.5 percent, slightly higher than the 18.6 percent available at May 31, 2017.

The adopted General Fund budget for Fiscal Year 2017-18 increased by \$4 million due to the following factors:

- Increased personnel costs:
  - \$2.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 9.0 full-time staff, 1.0 limited-term staff and 16.33 part-time staff (predominantly for expanded parks and recreation programs and facilities, and to assist with day-to-day operations)
  - \$400,000 in additional retirement costs due to PERS rate increases and higher salaries
  - Increased health insurance and workers' compensation rates
  - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$600,000):
  - General inflationary adjustments of two percent
  - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
  - General decreases in the internal service charges
  - Increases in credit card fees, citywide training, legal professional services, public nuisance abatement costs, costs associated with the new permitting system, operating costs associated with several new park facilities, fire engine equipment and a chemical detox unit, and upgrades to the Safety Training Center audio visual equipment
- Decreased capital outlay costs of \$200,000
- Increased transfers out of the General Fund:
  - Increase in the annual transfer to the Infrastructure Replacement Fund and the transfer to the Lighting and Landscaping District Funds for medians and trees

## Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of May 31, 2018, \$269,932 has been authorized out of the contingency account as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$1,500,000		
<b>USES:</b>			
Special Events Grant for In-kind Services for the Lancer Day Homecoming Parade	(\$676)	10/31/2017	City Manager
Community Spirit Grant for In-kind Services for the Veterans Day Remembrance	(126)	12/13/2017	City Manager
Community Spirit Grant for In-kind Services for the Carlsbad Christmas Bureau	(1,409)	12/22/2017	City Manager
Winning Teams Grant for the Carlsbad High School Lancers Dance Team	(4,503)	01/17/2018	City Manager
Membership in Sister Cities International	(1,000)	01/23/2018	2018-008
2018 North Beach Lifeguard Program	(256,718)	02/13/2018	2018-016
Winning Teams Grant for the Valley Middle School Robotics Team	(1,617)	03/20/2018	City Manager
Winning Teams Grant for the Sage Creek High School FTC Robotics Team	<u>(3,883)</u>	04/01/2018	City Manager
<b>TOTAL USES</b>	<u>(269,932)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$1,230,068</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.



GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 05/31/18	ACTUAL FY 2017 AS OF 05/31/17	ACTUAL FY 2018 AS OF 05/31/18	CHANGE FROM YTD 2017 TO YTD 2018	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$62,992,260	\$60,663,817	\$63,744,155	\$3,080,338	5%
SALES TAX	31,325,390	30,974,084	32,684,710	1,710,626	6%
TRANSIENT OCCUPANCY TAX	20,261,278	20,344,401	21,794,083	1,449,682	7%
FRANCHISE TAX	5,519,139	5,479,373	5,753,125	273,752	5%
BUSINESS LICENSE TAX	4,632,101	3,933,095	4,790,277	857,182	22%
TRANSFER TAX	902,074	1,108,469	1,198,306	89,837	8%
<b>TOTAL TAXES</b>	<b>125,632,242</b>	<b>122,503,239</b>	<b>129,964,656</b>	<b>7,461,417</b>	<b>6%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	0	50,591	59,863	9,272	18%
HOMEOWNERS EXEMPTIONS	349,000	348,206	343,708	(4,498)	-1%
OTHER	636,971	663,977	768,648	104,671	16%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>985,971</b>	<b>1,062,774</b>	<b>1,172,219</b>	<b>109,445</b>	<b>10%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	2,039,360	2,369,612	1,894,636	(474,976)	-20%
OTHER LICENSES & PERMITS	683,170	1,238,732	901,859	(336,873)	-27%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>2,722,530</b>	<b>3,608,344</b>	<b>2,796,495</b>	<b>(811,849)</b>	<b>-22%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	528,844	804,686	782,529	(22,157)	-3%
BUILDING DEPARTMENT FEES	248,524	513,993	1,127,368	613,375	119%
ENGINEERING FEES	702,159	1,212,517	1,028,675	(183,842)	-15%
AMBULANCE FEES	2,398,379	2,211,420	2,234,255	22,835	1%
RECREATION FEES	2,758,995	2,747,174	2,644,638	(102,536)	-4%
OTHER CHARGES OR FEES	610,484	1,208,575	1,340,751	132,176	11%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>7,247,384</b>	<b>8,698,365</b>	<b>9,158,216</b>	<b>459,851</b>	<b>5%</b>
<b>FINES AND FORFEITURES</b>	<b>668,883</b>	<b>633,243</b>	<b>631,081</b>	<b>(2,162)</b>	<b>0%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>3,726,007</b>	<b>3,712,793</b>	<b>4,411,611</b>	<b>698,818</b>	<b>19%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>2,771,222</b>	<b>2,943,041</b>	<b>2,853,135</b>	<b>(89,906)</b>	<b>-3%</b>
<b>OTHER REVENUE SOURCES</b>	<b>1,068,495</b>	<b>1,044,598</b>	<b>1,079,348</b>	<b>34,750</b>	<b>3%</b>
<b>TRANSFERS IN</b>	<b>184,400</b>	<b>10,000</b>	<b>184,400</b>	<b>174,400</b>	<b>1744%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$145,007,134</b>	<b>\$144,216,397</b>	<b>\$152,251,161</b>	<b>\$8,034,764</b>	<b>6%</b>
(1)					
(1) Calculated General Fund revenues are 6.1% above estimates as of May 31, 2018.					

**GENERAL FUND  
EXPENDITURE STATUS BY DEPARTMENT**

DEPT DESCRIPTION	TOTAL	AS OF 05/31/18		
	BUDGET FY 2017-18	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$556,157	\$387,342	\$168,815	30.4%
CITY MANAGER	2,925,256	2,332,211	593,045	20.3%
COMMUNITY OUTREACH AND ENGAGEMENT	2,203,020	1,737,815	465,205	21.1%
CITY CLERK AND RECORDS MANAGEMENT	1,130,029	809,795	320,234	28.3%
CITY ATTORNEY	1,849,585	1,467,719	381,866	20.6%
CITY TREASURER	265,779	220,145	45,634	17.2%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>8,929,826</b>	<b>6,955,027</b>	<b>1,974,799</b>	<b>22.1%</b>
<b>ADMINISTRATIVE SERVICES</b>				
FINANCE	5,769,680	4,625,769	1,143,911	19.8%
HUMAN RESOURCES	4,234,568	3,145,577	1,088,991	25.7%
<b>TOTAL INTERNAL SERVICES</b>	<b>10,004,248</b>	<b>7,771,346</b>	<b>2,232,902</b>	<b>22.3%</b>
<b>PUBLIC SAFETY</b>				
POLICE	39,170,529	32,162,667	7,007,862	17.9%
FIRE	23,672,800	20,260,005	3,412,795	14.4%
<b>TOTAL PUBLIC SAFETY</b>	<b>62,843,329</b>	<b>52,422,672</b>	<b>10,420,657</b>	<b>16.6%</b>
<b>COMMUNITY SERVICES</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	12,364,195	9,943,185	2,421,010	19.6%
HOUSING AND NEIGHBORHOOD SERVICES	1,571,948	1,306,932	265,016	16.9%
LIBRARY AND CULTURAL ARTS	14,286,970	15,238,603	(951,633)	-6.7%
PARKS AND RECREATION	18,617,237	11,032,243	7,584,994	40.7%
<b>TOTAL COMMUNITY SERVICES</b>	<b>46,840,350</b>	<b>37,520,963</b>	<b>9,319,387</b>	<b>19.9%</b>
<b>PUBLIC WORKS</b>				
PUBLIC WORKS ADMINISTRATION	2,971,337	1,456,337	1,515,000	51.0%
ENVIRONMENTAL MANAGEMENT	883,383	648,499	234,884	26.6%
GENERAL SERVICES	10,399,807	8,205,174	2,194,633	21.1%
TRANSPORTATION	7,791,486	6,344,625	1,446,861	18.6%
<b>TOTAL PUBLIC WORKS</b>	<b>22,046,013</b>	<b>16,654,635</b>	<b>5,391,378</b>	<b>24.5%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (a)	16,155,388	1,722,516	14,432,872	89.3%
TRANSFERS OUT	12,455,000	12,455,000	0	0.0%
CONTINGENCY	1,230,068	0	1,230,068	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>29,840,456</b>	<b>14,177,516</b>	<b>15,662,940</b>	<b>52.5%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$180,504,222</b>	<b>\$135,502,159</b>	<b>\$45,002,063</b>	<b>24.9%</b>

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) Amount available would be 22.6% if funds were spent in the same proportion as the previous year.

# Water Enterprise

WATER OPERATIONS FUND					
MAY 31, 2018					
	BUDGET FY 2017-18	YTD (*) 05/31/2017	YTD (*) 05/31/2018	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
<b>REVENUES:</b>					
WATER DELIVERY	\$ 35,300,000	\$ 32,679,295	\$ 37,176,838	\$ 4,497,543	13.8%
INTEREST	251,000	264,707	378,944	114,237	43.2%
MISC. SERVICE CHARGES	296,000	279,531	289,656	10,125	3.6%
PROPERTY TAXES	3,605,000	3,478,197	3,673,028	194,831	5.6%
FINES, FORFEITURES & PENALTIES	260,000	233,930	275,670	41,740	17.8%
OTHER REVENUES	648,000	1,205,580	557,520	(648,060)	-53.8%
<b>TOTAL OPERATING REVENUE</b>	<b>40,360,000</b>	<b>38,141,240</b>	<b>42,351,656</b>	<b>4,210,416</b>	<b>11.0%</b>
<b>EXPENSES:</b>					
STAFFING	3,681,630	3,305,561	3,266,969	(38,592)	-1.2%
INTERDEPARTMENTAL SERVICES	2,243,082	2,043,702	2,008,252	(35,450)	-1.7%
PURCHASED WATER	22,800,000	18,597,927	21,847,781	3,249,854	17.5%
MWD/CWA FIXED CHARGES	6,800,000	6,159,342	6,041,402	(117,940)	-1.9%
OUTSIDE SERVICES/MAINTENANCE	1,643,326	514,859	846,933	332,074	64.5%
DEPRECIATION/REPLACEMENT	3,910,000	3,490,031	3,584,167	94,136	2.7%
MISCELLANEOUS EXPENSES	1,342,641	808,383	935,791	127,408	15.8%
CAPITAL OUTLAY	31,530	3,839	40,913	37,074	965.7%
<b>TOTAL OPERATING EXPENSES</b>	<b>42,452,209</b>	<b>34,923,644</b>	<b>38,572,208</b>	<b>3,648,564</b>	<b>10.4%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (2,092,209)</b>	<b>\$ 3,217,596</b>	<b>\$ 3,779,448</b>	<b>\$ 561,852</b>	<b>17.5%</b>
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

## Revenues



- The increase in water delivery revenues is the result of an average 2.5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2018, coupled with a 11 percent increase in water sales during the first eleven months of the fiscal year due to less restrictive water usage constraints and drier weather.
- An 11.3 percent increase in the average cash balance combined with a 25.6 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in miscellaneous service charges is primarily due to increases in backflow devices and quick turn-on revenues.
- The increase in property taxes are the result of an increase in assessed values.
- The increase in fines, forfeitures and penalties is due primarily to an increase in late charge revenues.
- The decrease in other revenues is due to a prior year reimbursement from Poseidon related to third party consultant costs in connection with the construction of the desalinated water pipeline.

## Expenses



- A 4.3 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a 10 percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Decreases in the calendar year 2017 SDCWA fixed charges have led to lower fixed charges.
- Increases in software services to support remote meter reading along with pipeline maintenance costs have led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings are the largest factors in the miscellaneous expenses variance.
- The purchase of tablets to increase operational efficiencies for maintenance crews in the field and increased fleet charges account for the increase in capital outlay expenses.

## Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
MAY 31, 2018					
	BUDGET FY 2017-18	YTD (*) 05/31/2017	YTD (*) 05/31/2018	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	13,035,000	12,308,179	12,544,164	235,985	1.9%
INTEREST	75,000	103,216	149,167	45,951	44.5%
OTHER REVENUES	290,000	245,812	215,823	(29,989)	-12.2%
<b>TOTAL OPERATING REVENUE</b>	<b>13,400,000</b>	<b>12,657,207</b>	<b>12,909,154</b>	<b>251,947</b>	<b>2.0%</b>
<b>EXPENSES:</b>					
STAFFING	2,333,179	1,854,738	1,864,028	9,290	0.5%
INTERDEPARTMENTAL SERVICES	1,323,235	1,172,175	1,210,408	38,233	3.3%
ENCINA PLANT SERVICES	3,469,456	3,013,975	3,210,927	196,952	6.5%
OUTSIDE SERVICES/MAINTENANCE	750,723	219,100	192,703	(26,397)	-12.0%
DEPRECIATION/REPLACEMENT	3,650,000	3,320,603	3,345,833	25,230	0.8%
MISCELLANEOUS EXPENSES	713,795	465,530	532,829	67,299	14.5%
CAPITAL OUTLAY	238,261	3,277	237,666	234,389	7152.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>12,478,649</b>	<b>10,049,398</b>	<b>10,594,394</b>	<b>544,996</b>	<b>5.4%</b>
<b>OPERATING INCOME/LOSS</b>	<b>921,351</b>	<b>2,607,809</b>	<b>2,314,760</b>	<b>(293,049)</b>	<b>-11.2%</b>
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

### Revenues



- Charges for current services are up slightly due to increases in development.
- Cash balances in the fund have increased by 16.5 percent from last year, combined with an increase in the average yield on the portfolio of 25.6 percent, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

### Expenses



- For Fiscal Year 2017-18, a total of 1.1 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks have led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated monthly.
- Outside services/maintenance has decreased due to prior year easement cleanings not needed during the current year.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Increases in miscellaneous expenses are primarily due to the acquisition of asset management software.
- The purchase of a new vactor truck is the primary driver in the capital outlay variance.